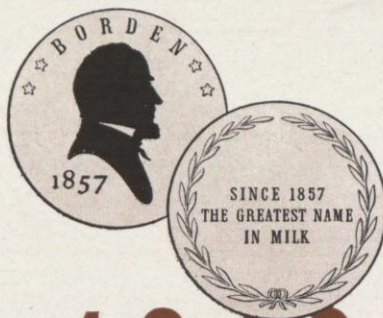


The Borden Company

86TH ANNUAL REPORT



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Executive Vice-President

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Milwaukee

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Assurance Society of the United States*

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*Hendler Creamery Company
Baltimore*

MADISON H. LEWIS
*Pioneer Ice Cream Division
New York*

BEVERLEY R. ROBINSON
Milbank, Tweed & Hope

AUSTIN S. IGLEHEART
*President
General Foods Corporation*

THEODORE G. MONTAGUE
President

HARRY A. ROSS
Vice-President

ROBCLIFF V. JONES
Vice-President

MARCUS M. MUNSILL
Spencer Trask & Co.

GEORGE M. WAUGH, JR.
Executive Vice-President

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Chairman

THEODORE G. MONTAGUE
President

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WALTER H. REBMAN, *Secretary*
CECIL I. CROUSE, *Assistant Vice-President*
WILLIS H. GURLEY, *Assistant Vice-President*
HAROLD K. KRAMER, *Assistant Vice-President*
GEORGE BITTNER, *Assistant Treasurer*
A. BROOKS PRAY, *Assistant Treasurer*
DOUGLAS T. ORTON, *Assistant Secretary*
THEODORE D. WAIBEL, *Assistant Secretary*

EXECUTIVE OFFICES

350 Madison Avenue, New York City

REGISTERED OFFICE

117 Main Street, Flemington, N. J.

TRANSFER AND DIVIDEND DISBURSING AGENT

THE CHASE NATIONAL BANK OF THE
CITY OF NEW YORK
11 Broad Street, New York City

REGISTRAR

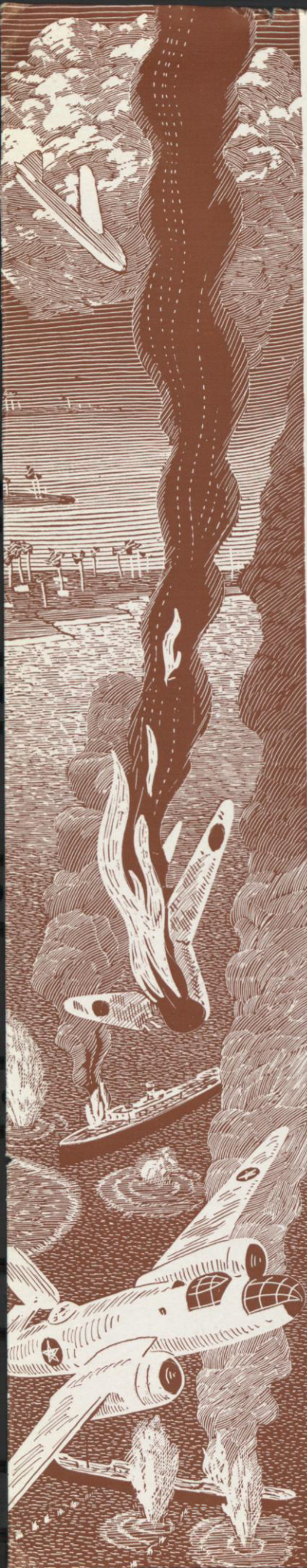
BANKERS TRUST COMPANY
16 Wall Street, New York City

COUNSEL

MILBANK, TWEED & HOPE
15 Broad Street, New York City

AUDITORS

HASKINS & SELLS
1 East 44th Street, New York City



OUR military leaders tell us that we have just begun to fight this war, and that the days ahead will bring unprecedented casualties and hardship among the men who are actively engaged in the conflict.

This warning of events to come places upon the production front a renewed and redoubled charge to produce the maximum, so that the fighting front will not be hampered in the performance of its part.

Courage, weapons, and food are basic ingredients of victory. Of courage, there is no lack, as the whole record of the war to date shows. Armaments are rolling from the assembly lines in a miracle of production. There has been more food produced than the fields and herds of this continent have ever yielded before.

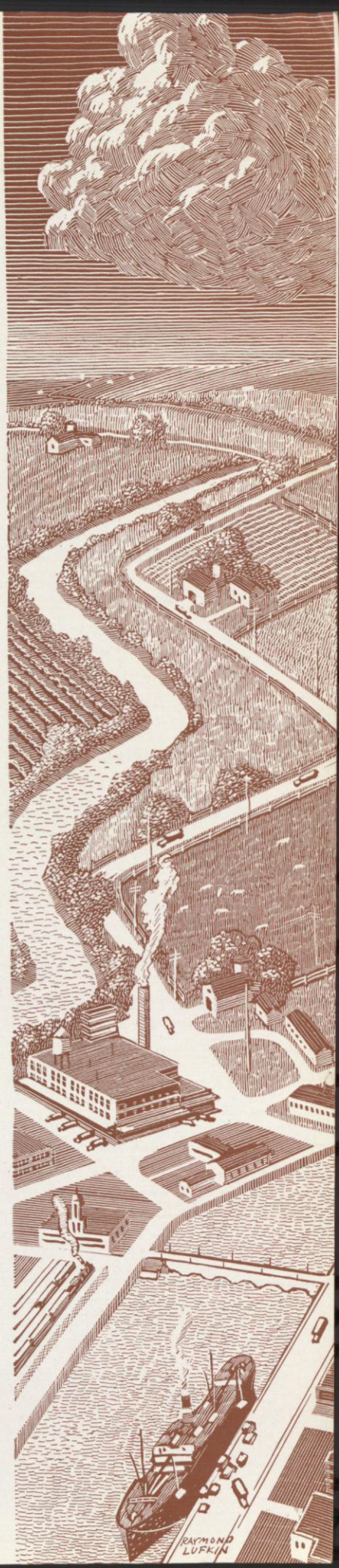
There's half a world between the fiercely contested atolls of the South Pacific and the great food-producing regions of our continent. Yet, a campaign may turn on the condition of our North American farms, or on the operations of our processing plants, or on our ability to ship food products swiftly and in quantity to the war zones.

Our farmers can be counted on to redouble their efforts to increase production to meet the present challenge. Shortages of manpower and equipment in processing and distribution will be overcome by increased and vigorous efforts of the people in the industry.

In this two-front war, the production front must continue to do its job with the same zeal and courage as the fighting front. In the case of our own organization, the will and the ability to produce for victory were fully demonstrated during 1943. Our effort will be no less in 1944.

Theodore G. Montague

President



This Annual Report is solely for the general information of the Stockholders and Employees of The Borden Company, and is not a part of the material to be used in soliciting proxies for the Annual Meeting of Stockholders to be held April 19, 1944. It is expected that any material for the solicitation of proxies for the Annual Meeting, along with a form of proxy, will be sent to the Stockholders on or about March 24, 1944.

To Stockholders and Employees

There is submitted herewith the annual report of The Borden Company for the year ended December 31, 1943.

SALES

Sales during 1943 reached the highest point in the company's history and amounted to \$371,866,527 as compared with \$325,350,306 for 1942. This represents an increase of 14% over 1942 and 43% over 1941. Among the important factors contributing to the increased sales were the higher general purchasing power that prevailed in the nation; greater appreciation by the public of the nutritional value of dairy foods; and substantial demand from government agencies for our products. Satisfaction of the requirements of government and the armed forces was given first consideration, and the company is proud of its part in supplying the men and women in the service of the United Nations with such necessary products as cheese, powdered milk, other dehydrated products, evaporated milk, condensed milk, fresh milk and ice cream.

Diversification, both as to products and territories served, continued despite wartime difficulties. As an example of the benefits of these developments, it is interesting to note the decrease in the relative importance of the company's fluid milk volume as compared with that of the other divisions. In 1938 the sales of all products in the Fluid Milk Division constituted 57% of total sales, whereas they constituted only 46% in 1943. Furthermore, within the Fluid Milk Division itself, sales in 1943 were spread over a much larger territory geographically than a decade ago when there was much heavier concentration in New York and Chicago, as evidenced by the fact that unit sales in New York and Chicago were about 64% of total unit sales of the Fluid Milk Division in 1934 and constituted only about 47% of unit sales of this division in 1943. Even the present level of activity in these large cities does not yet pro-

vide a satisfactory return on the very large investments required to serve these markets.

The addition of new products and the intensive cultivation of some of the older ones have resulted not only in increasing the net income of the company, but have greatly strengthened and diversified the source of its earnings. The company will continue to develop new and improved products, as well as broaden its geographical diversification in the Ice Cream and Fluid Milk Divisions.

Introduction of new products to the grocery, bakery, drug, and feed trades must, in some instances, await more favorable circumstances, and the availability of raw materials, machinery and supplies. Another retarding factor has been the pre-occupation of the manpower of the organization with the more pressing problem of taking care of government needs.

INCOME AND DIVIDENDS

Net Income for 1943, after provisions to special reserves hereinafter referred to, amounted to \$9,405,705 and 2.5% of total sales. This amount is equivalent to \$2.17 per share. Earnings of Canadian subsidiaries have been converted to their U. S. dollar equivalent at the official exchange rate. No income is included



from the company's unconsolidated foreign affiliates as no dividends were received from these operations during the year, although the company's share in the earnings of these foreign operations for 1943 was approximately \$260,000.

The company, upon authorization of the Board of Directors, added \$5,000,000 to the Special Contingency Reserve in 1943, which, with similar provisions of \$1,500,000 in 1941 and \$2,500,000 in 1942, brings the total provisions to \$9,000,000. During 1943, a charge of \$240,000 was made against this reserve, as later explained, and while the remaining balance of \$8,760,000 seems like a substantial figure, it must be remembered that it represents less than 25% of the peak inventory values of 1943 and represents an amount equivalent to only about 5% of the company's total assets.

As emphasized in last year's annual report, the company is unable to foresee the economic disturbances which may result from the war period. Consequently, it is unable to determine accurately the amount which may ultimately be required to take care of wartime contingencies and the transition to peacetime economy. It should also be pointed out that it is a great deal more difficult accurately to determine real corporate earning power in these strenuous times of changing price levels and economic dislocations than in normal times when conditions are relatively stabilized. Consequently, it is apparent that there is need for conservative procedure and the setting aside of reserves to cope with postwar conditions; and while the company is

striving to minimize war-born losses, it seems inevitable, in the light of present conditions, that some will occur.

Inventory values of some items have increased more than 150% since the start of the World War II and total inventories during 1943 reached the record peak of nearly \$41,000,000, which is more than double pre-war level. In addition, the company has invested in new facilities and has augmented already existing ones, largely in the interest of a greater contribution to the war effort. The cost, in some cases, has been high and it is doubtful whether all of these operations will be maintained in peacetime.

The company also set aside \$900,000 for deferred repairs and maintenance, the same as in 1942. This reserve has been created from income to absorb the cost of such expenditures when subsequently made.

During the year negotiations were entered into with United States Government authorities looking toward a settlement of the company's liability, if any, under the renegotiation act, covering sales of some Borden products during the year 1942. In pursuance of these negotiations, the company paid \$240,000 (representing a reduction of \$400,000 in the contract prices of such sales, less income tax of \$160,000 applicable thereto). The amount of \$240,000 was charged to the Special Contingency Reserve. The company is unable to determine at this time what effect renegotiation procedures, which may be instituted as to 1943, may have on the results as shown for that year. However, ample provision therefor has been made and is included in existing reserves.

Dividends paid during the year aggregated \$1.50, as follows: 30¢ on March 1; 30¢ on June 1; 30¢ on September 1; and 60¢ on December 20. Dividend payments during the year 1942 totaled \$1.40. The company has paid dividends continuously for the past 45 years.

NET WORKING CAPITAL

Current Assets amounted to \$89,419,417 and Current Liabilities were \$22,926,455 at the close of the year 1943, resulting in Net Working Capital of \$66,492,962. The ratio of Current Assets with which to pay Current Liabilities was

THE FLUID MILK DIVISION

Smaller cities now account for more business...



Each symbol represents 10% of volume of sales in each year

\$3.90 to \$1.00, which compares with \$4.03 to \$1.00 at the close of 1942, when Net Working Capital was \$58,374,779. Net Working Capital of Canadian subsidiaries at its U. S. dollar equivalent is included at \$5,795,172 for 1943 which compares with \$4,753,408 for 1942.

The company paid \$501,000 on the balance of \$11,499,000 of 2% notes, which were issued in the amount of \$12,000,000 in 1941 and reported at that time. The balance now outstanding has been reduced to \$10,998,000, of which \$501,000 is payable annually until 1950. In 1951 the balance of \$7,491,000 will become due. The borrowed funds have been required to finance increased inventory values, which on December 31, 1943 aggregated \$34,249,927, which was about \$17,000,000 more than pre-war years. The larger inventory value is the result of business expansion, higher price levels, and provision for the requirements of the military forces and government agencies.

As in 1942, our inventories of finished goods in some divisions of the Manufactured Products group remained greatly depleted. This was again true in cheese, powdered milk, evaporated milk and also certain other products. Demand, particularly from government agencies, was so active and sustained during 1943 that the company was unable to restore these inventories to normal quantities. In addition, the ultimate cost of replenishing depleted inventories will be higher, because of the increased production cost per unit, due principally to higher payments to farmers and to labor. In order that these inventories, when restored through subsequent production, may be carried at values which existed at the beginning of 1942, it was necessary to provide an additional reserve from 1943 earnings in the amount of \$945,791. The outlook for restoring these inventories to normal quantities during 1944 is not favorable, as the anticipated government demands for 1944 seem to preclude the opportunity of such accomplishment. However, if costs, particularly of raw milk and materials, continue to advance in 1944, it may be necessary to make further provision in that year in order to have an amount sufficient to take care of such further increase in replacement costs. All of these products are valued on the so-called "last-in, first-out" basis.

Marketable Securities at December 31, 1943 are shown in the Balance Sheet at their cost value of \$11,499,394, which compares with \$11,767,864 market value as of the same date. The company increased its holdings of U. S. Government securities during 1943, and also made substantial subscriptions to Canadian Government issues during the year. Canadian bonds are included at their U. S. dollar equivalent.

The company also purchased \$15,900,000 U.S. Treasury Savings Notes equal to the provision made for U. S. Income and Excess Profits Taxes for the year 1943. These notes accordingly are shown on the Balance Sheet as an offset to the company's tax liability. The company's policy of providing currently in this manner for Federal Tax Liability is designed to lessen the demand on cash and current resources in subsequent years. This conservative policy may prove very beneficial in postwar years when problems of adjustment will undoubtedly arise.

TAXES

Taxes of every nature for 1943 amounted to \$21,954,543, or \$5.07 per share. Tax requirements during the past five years are indicated by the following table:

	TOTAL	PER SHARE
1943.....	\$21,954,543	\$5.07
1942.....	15,096,404	3.45
1941.....	8,593,518	1.95
1940.....	6,477,171	1.47
1939.....	6,720,632	1.53

All available excess profits tax credit carryovers have been utilized in 1943. While the company realizes that the present extraordinary high taxes, both corporate and personal, are necessary contributions to the all-out war effort, still we hope that at the successful conclusion of the war much more moderate rates will be imposed so that our peacetime economy will not be burdened with crippling taxation. Enterprise must be left with sufficient funds, after taxes, not only to pay reasonable returns to stockholders, but to continue the programs of research, expansion and development which can make increasingly important contributions to the American standard of living.

MISCELLANEOUS ASSETS

Miscellaneous Assets, after reserves, aggregated \$4,816,056 at the end of 1943. They represent investments in, and advances to, foreign affiliated companies, mortgages taken on the sale of properties no longer needed, and other non-current receivables.

Funds employed in foreign operations increased during 1943, as the company extended its business in Central and South America. Because of the greatly increased economic development in South and Central American countries, it seems likely that the company will extend its interests in similar operations as opportunities develop.

PROPERTIES

The Budget of Capital Expenditures for 1944 was approved by the Board of Directors in the amount of \$5,707,500, which compares with expenditures of this nature during 1943 of approximately \$4,900,000.

As in 1942, many projects involving substantial capital expenditures have had to be postponed until material and machinery become available. However each division of the company has been carefully studying its postwar problems and its needs for postwar expansion and development. In recent years the capital expenditures of the company have kept well within current provisions for depreciation but it seems likely that expenditures of this nature will exceed charges for depreciation for several years after the termination of the war. In anticipation of this requirement, the company is continuing to maintain its strong cash position.

TOTAL ASSETS

Total Assets at December 31, 1943 amounted to \$162,936,397 as compared to \$150,804,120 at December 31, 1942.

Assets in Canada, after depreciation and exclusive of Current Assets, on December 31,

1943 amounted to \$5,344,028 as compared to \$5,361,969 on December 31, 1942. These assets are included at parity of the foreign exchange, which generally reflects their U. S. dollar value at the time when such assets were acquired or constructed. This represents 7.3% of the Total Assets, other than Current Assets, on December 31, 1943.

CAPITAL STOCK

There was no change in the authorized Capital Stock, but the outstanding shares were reduced in 1943 by 51,704 shares, resulting from total company purchases of 121,981 shares, of which 70,277 shares were reissued in payment of businesses acquired. At December 31, 1943 a total of 92,958 shares was held in the treasury for subsequent corporate use.

Except for \$10,998,000 of 2% notes outstanding, the capital structure of the company continues without any securities senior to its common stock. The 4,325,000 shares of Capital Stock out-

standing December 31, 1943 were held by 49,141 stockholders with an average holding of 88 shares. At the end of 1942 there were 49,034 stockholders with an average holding of 89 shares.

ANTI-TRUST SUITS

The company, one of its officers, two of its employees and one former employee, have been cleared of charges of violating the federal anti-trust laws in connection with the marketing of brick cheese. The indictment, involving a number of other individuals and corporations, was returned on March 18, 1942. The trial was commenced November 15, 1943 in the U. S. District Court in Chicago. A verdict of not guilty for all defendants was brought in by the jury on January 14, 1944. The action of the jury in clearing all defendants is, of course, gratifying, and a vindication of their conduct of the company's business.



With love, a bouquet for that very good friend, the Milkman.

Two other indictments charging violation of the anti-trust laws were disposed of during 1943. To expedite a settlement, the company in both cases entered pleas of nolo contendere, which are not to be construed as an admission of guilt.

At present, there are two other indictments still pending against the company and a number of its employees, charging anti-trust violations in connection with the American and Swiss cheese business.



U. S. Navy Official Photo

"You'd be surprised how such simple things as ice cream rebuild morale."—U.S. Navy physician.

ICE CREAM

During this war ice cream has proved to be extremely popular among the men and women in the armed services everywhere. It is a food providing high nutritive elements in a most acceptable form. Moreover, new appreciation of the morale value and nutritional properties of ice cream has resulted in a demand far in excess of supply.

Again, total sales of the Ice Cream Division topped previous records. While sales of ice cream to civilians decreased because of rationing and transportation restrictions, increased promotion of sherbets and fruit ices and sales of ice cream to the armed forces added sub-

stantial new volume. Preference was given to the needs of all military agencies and high quality was maintained on Borden's products.

During the year 1943 several new territories were served. Possibilities for further expansion are being carefully studied with a view to expanding a well integrated system of production and distribution in both present and new territories.

FLUID MILK

The operations of the Fluid Milk Division during the year were marked by increased costs, both of raw material and distribution. Labor costs have increased and prices to farmers have increased. Greater volume, resulting in lower unit distribution costs, has made it possible to improve the operating results in the Fluid Milk Division despite the fact that there have been no comparable increases in selling prices to offset the higher wage costs and the higher prices paid to farmers. Results, however, were not uniformly improved in all localities. In some markets operations have again been squeezed by orders of one department of the government to pay increased prices to farmers and increased wages without another agency of the government giving effect to these additional costs through justifiably higher re-sale prices.

As we have often pointed out, the margins available to distributors in the distribution of milk are so small that any sizable increase in cost must be reflected in increased revenues if private industry is to continue to perform this

Elsie and British tars who helped harvest the 1943 hay crop at Borden's Walker-Gordon Farm.



essential service. Every-other-day delivery of milk at retail has been widely accepted by consumers throughout the country, as well as 6-day a week delivery to stores, thus greatly contributing to the nationwide conservation of gasoline and rubber.

During the latter part of 1943, a general shortage of milk became so acute that the War Food Administration issued a general limitation order affecting most areas of over 100,000 population. This order provided generally that the amount of fluid milk available to these communities could not exceed the amount used in June 1943 and limited sales of cream and by-products, such as buttermilk, cottage cheese, etc. to 75% of the quantities sold in June. The effect of the order has been to reverse the upward trend of milk sales and to cause volume losses, particularly of cream and by-products. It now seems impossible, therefore, for sales increases to compensate, to any material extent, for increased costs. It is hoped that as raw milk production increases during the spring and summer months, when there will be much more milk generally available, present restrictions may be somewhat relaxed, although no indication of such increased civilian allotment has as yet come from any government agency.

The company introduced in several markets a promising new development called "D-Q", a vitamin and mineral fortified fluid milk delivered in bottles. The name "D-Q" stands for "daily quota", and refers to the basic vitamins and minerals which have been added to those natural to milk, all in conformity with advanced



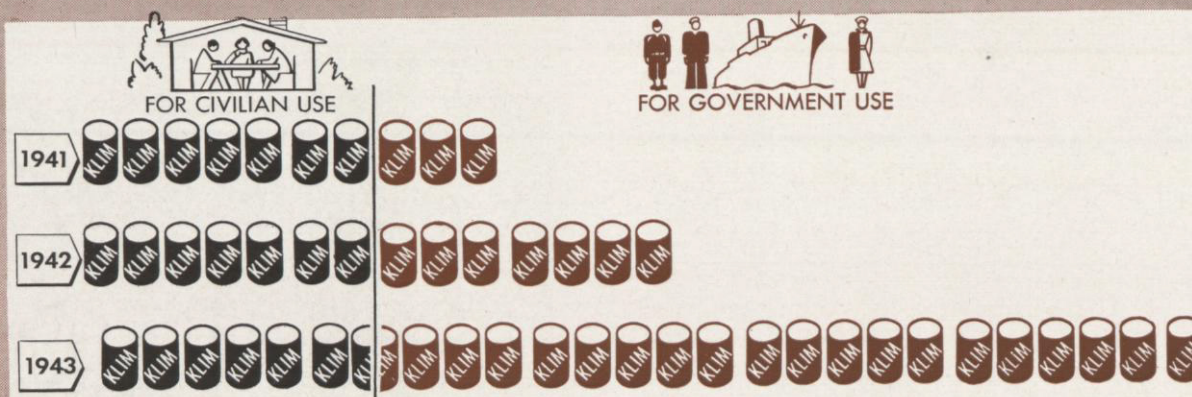
In training as cooks and bakers, these sailors get the A.B.C.'s of milk from Borden technicians.

techniques in nutrition. The product has been well received and the company looks forward to the further expansion of its sale in other markets.

MANUFACTURED PRODUCTS GROUP

The Manufactured Products group, which includes condensed milk, evaporated milk, powdered milk and malted milk, as well as specialties, such as Hemo, mince meat, dehydrated fruit juices and dehydrated coffee extract, continues to experience unusual demand, and although great efforts were made to increase production, the company was unable to provide fully for both military and civilian requirements.

THE WARTIME TREND IN POWDERED WHOLE MILK DISTRIBUTION



SOURCE: THE BORDEN COMPANY



Bound for victory—Borden products start their long overseas journey to a United Nations' port.

The Powdered Milk Division was affected by government set-aside orders on dry milk solids, non-fat. The first order directed that 90% of total production of spray process skim milk powder be set aside and reserved for the use of government, so that it might be sure of needed supplies. The limitation was subsequently reduced to 75%, but was broadened to include roller process powder as well.

It is gratifying to point out that the company has been able to increase vastly its production of powdered whole milk, a substantial part of which is going to government agencies. In order to accomplish this, however, it was necessary to reduce production materially on other items, such as evaporated milk, as there was not sufficient raw milk available to take care of all products.

The government's efforts to hold down prices, particularly on items entering into the Cost of Living Index, have resulted in a severe price squeeze on canned milk. No advance in the selling price of evaporated milk was permitted by the O.P.A. during 1943, despite the fact that prices paid farmers for the milk used in its manufacture averaged higher than any year since 1920. As a result, the gross margin between the selling price of the finished product

and the raw milk cost has been reduced more than 20% below the average of the past 25 years. At the same time, labor and materials, which enter into the cost of manufacturing and marketing were advancing, and the inevitable result has been a loss on evaporated milk sold to civilian consumers during the year. This fact has been recognized by government purchasing authorities, both military and lend-lease, and for some time they have set prices for their purchases about 10% above the civilian price, freight and other distribution expenses considered. Nevertheless, the loss on civilian sales is so great because of the large quantities necessary to meet the barest minimum domestic requirements, that it is difficult to see how the industry can continue to operate unless relief is granted by the pricing authorities.

With the application of point rationing on condensed and evaporated milk on June 2, 1943, these products became competitive with meats, fats, canned fish, and cheese. The effect of this competition for consumers' "points" is impossible to measure at this time.

Sales of Hemo — the company's new vitamin and mineral fortified food product introduced in 1942 — continued to demonstrate good results and while sales have been limited by the ability of the company to produce, the reception given this product by the consuming public is very gratifying. Expansion will be continued as material and machinery become available.

Several new products have been developed and some are already being manufactured but

On the home front—women employees take their places in the bottling lines of Borden plants.



at the present time are largely going to government agencies. Here, as in other divisions, diversification of products is receiving constant attention with the objective in mind of providing a well rounded line of Borden specialty food products to meet the anticipated demands from the American public for new and improved packaged food products and to keep pace with the great strides being made in the science of nutrition.

CHEESE

Sales of the Cheese Division reached a new high in 1943. Approximately 55% of all receipts of American cheddar cheese during the year was set aside for government use. Some of this cheese was sold to the government in bulk form and much of it was converted into pasteurized processed cheese for several government agencies. A large quantity was packed in 7 lb. tins for overseas use and special 4 oz. cans of processed cheese were produced for use in the "K" ration kits of men in action.

For its exceptional record in producing cheese products for the war effort, the Plymouth, Wisconsin plant was awarded the Army-Navy "E" in October 1943.

Even though the government war needs had first claim on our cheese supplies, distribution to the civilian market was further broadened in the south and on the west coast during the year.

Point rationing of cheese products became effective during the year and is presently operating with a minimum of disturbance to the normal flow of cheese products to the consumer. Domestic demand for cheese will doubtless exceed available supplies for some months to come. However, perhaps the industry will be faced with the problem of reestablishing consumer demand for the much larger quantities of cheese which may be available after the war, when military and lend-lease demands will undoubtedly diminish. Much progress was made prior to the war in steadily advancing American consumption of cheese and it seems likely that increased efforts will have to be directed along this line after the close of hostilities in order to absorb the increased production in domestic markets.

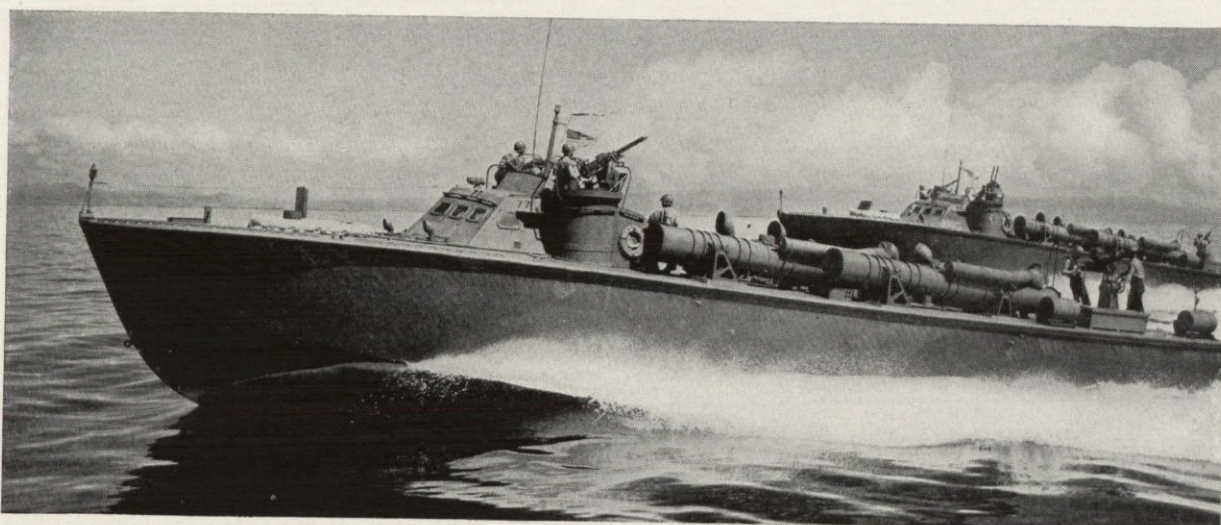


Cheese production has established new records in supplying the United Nations' war orders.

Specialty cheeses, such as Camembert, Liederkranz and Borden Cocktail Spreads, continued to grow in public favor despite high rationing point value.

PRESCRIPTION PRODUCTS DIVISION

Sales of Prescription Products showed marked increases over any previous year and nearly all of our infant food products participated in this increase. The continued rise in the birth rate of the country gives promise of increasing demand in 1944.



Borden glues bind together the tough plywood hulls of many of the swift and deadly P-T boats.

CASEIN AND ADHESIVES

The use of casein in the United States is being somewhat restricted by the shortage of supply and labor in general, and by curtailed production in some industries in which casein is used, such as paper coating and wall paper.

Imported casein, principally from Argentina, has helped considerably to meet domestic market needs.

A large part of our production of resin and phenol resin glues is now devoted to war purposes. However, great strides have been made with these glues and with several types of casein glues, which give promise of meeting new demands in the postwar world in such fields as waterproof labeling of bottles and water resistant sealers for fibre packages, as well as in the rapidly growing plywood industry.

SPECIAL PRODUCTS DIVISION

The Special Products Division continued to expand its operations, and both sales and earnings of this activity reached record proportions. New facilities and sources of raw material were purchased or constructed, notable among these being the acquisition of the assets and business of the Soy Bean Processing Company of Waterloo, Iowa. Sources and gathering facilities for vitamins and other raw materials were also established in several foreign countries, all of which has materially helped this division keep pace with the growing demand for its products.

Several new vitamin fortified feed supplements have been introduced and have met with ready and enthusiastic response from agricultural authorities. While little of the production of this division goes directly to war agencies it is, nevertheless, important to note that a large amount of the volume is directly helpful in improving the quality and the quantity of the nation's food supplies, particularly livestock and poultry. Therefore, every effort has been made

Measuring growth attained with Borden poultry feed supplements fed at our Experimental Farm.



to keep production of these essential vitamin-fortified animal foods at a high rate.

The interest of the public in better nutrition seems to give promise of continued growth in this division in 1944.

EXPORT DIVISION

The foreign markets still open to trade with the United States afforded a better outlet for our products during 1943 than was anticipated. Improvement in shipping service, which is a dominant trade factor under war conditions, was largely responsible for this condition.

Sales volume was satisfactory and much has been accomplished in the preservation of markets, particularly in South America, for the post-war period.

Increased demand by the United States government for our products has resulted in a shortage of supplies for the export trade and our continued cooperation with the government in meeting war requirements has made it impossible to meet fully the demand of our regular trade. This condition is likely to continue.

It is with gratification we can report that the two American nationals in the employ of the company in China, who were trapped in Shanghai and interned by the enemy at the outbreak of the war, have been safely repatriated.

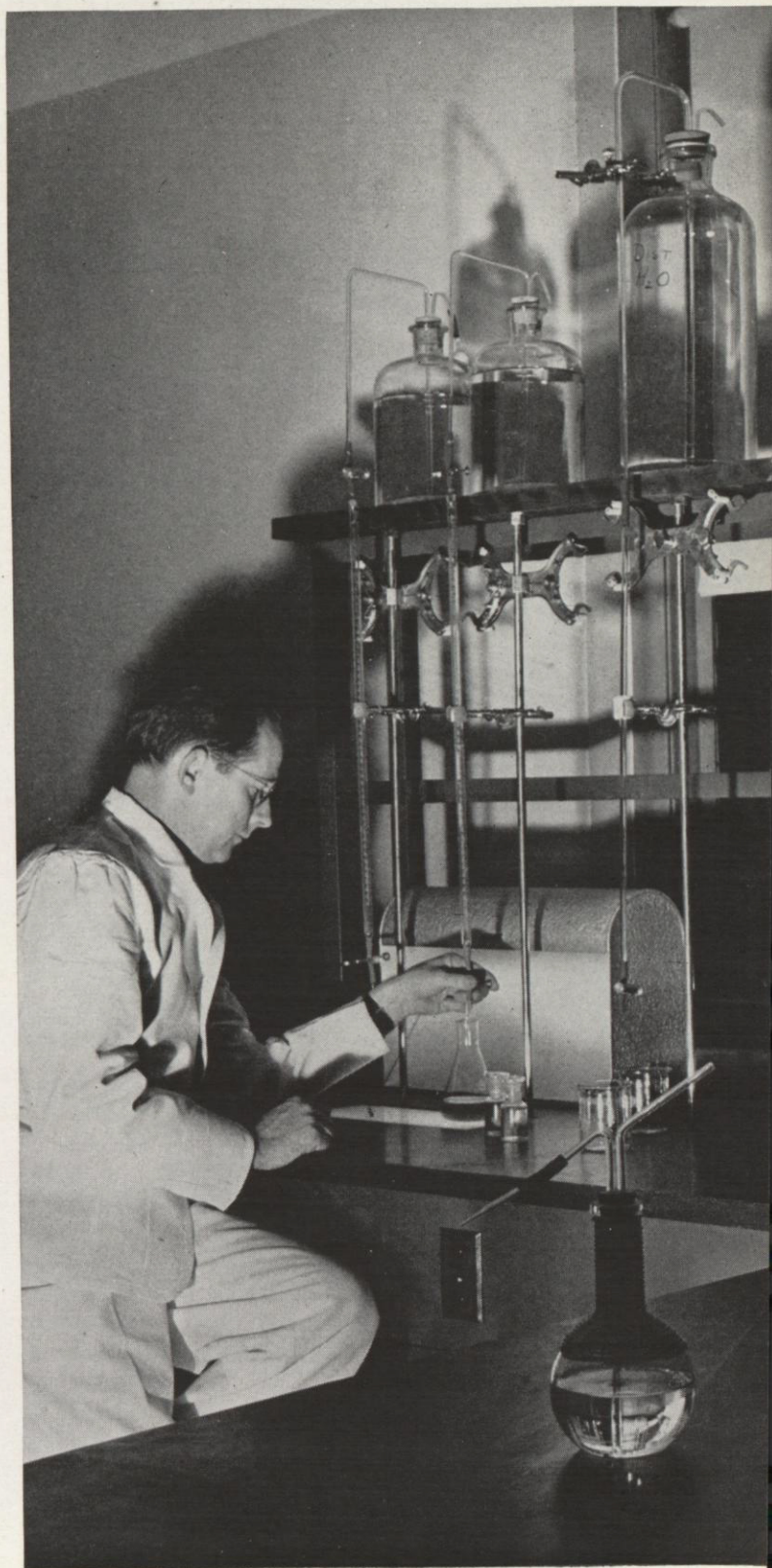
Prospects for 1944 in our foreign markets are affected by the war situation and the increasing government demand on our production capacity. This will probably result in a further decline in available supplies for these normal trade channels.

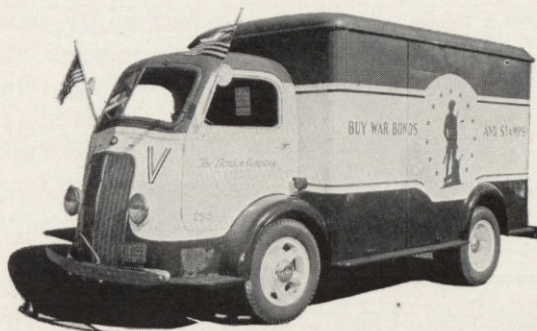
RESEARCH

The policy of greater diversification of products which was adopted by the company some years ago has continued to influence research activities. The program of placing the various divisional research laboratories directly under the supervision of the operating executives involved has now been completed and each is working intensively on products which logically fit into the respective divisions. The New Products Laboratory, whose developments may fall in any one of the operating divisions, has proved especially valuable in the close personal contact it affords with sales executives.

The effect of the war has been to direct research activities into the two general fields of war needs and postwar developments. Naturally the problem of products needed by the armed forces and lend-lease has first call on the laboratories. In addition, the setting aside of large

Recent research in the New Products Laboratory has been concentrated on wartime food problems.





Promoting War Bond sales with Borden trucks.

percentages of some staple items by government order has intensified the search for products which can be used as substitutes and which can be made from plentiful materials. The underlying aim in all cases, however, is to develop products which will sell on their merits after present shortages cease to exist.

Important also is the matter of looking ahead to times of peace. The company intends to be ready for the reconstruction period and research activities in the development of products that can then be marketed are constantly under way. Some items are ready and merely await availability of ingredients that are now restricted as to supply or subject to abnormal demand.

INCENTIVES

To facilitate the effective management of the company's operations, the company in recent years has divided its major operations into individual divisions. Products with like or similar production and sales characteristics have been grouped into their most logical operating divisions. This type of organization provides opportunity for effective and detailed supervision and gives ample scope for individual aggressiveness, resourcefulness and leadership.

The policy of providing incentive compensation to the many men engaged in key activities within the organization, referred to in more detail in the company's last annual report, has been continued. Your management has found it to be an effective instrument in stimulating men to progressively greater achievement.

The company's plan, as approved by the Board of Directors, is divided into two parts:

- (1) Employees Incentive Compensation Plan
- (2) Officers Incentive Compensation Plan

Limitations are established by the Board of Directors in both instances.

Under the Employees Incentive Compensation Plan, about 615 employees were designated as eligible, and of these about 560 earned approximately \$740,000 for 1943. These amounts were earned by very wide classes of employees for their particular accomplishments in their own fields of operation.

Under the Officers Incentive Compensation Plan, about \$70,000 was earned by 8 officers for 1943. The incentive compensation for operating officers recognizes the profit performance of the divisions over which they have executive responsibility. The Chairman of the Board and the President are not eligible to participate in any incentive compensation.

It will be noted that 91.4% of the total incentive compensation was earned by employees and only 8.6% by officers.

The management of the company again cannot over-emphasize the importance of the broad policy of rewarding executive and managerial talent with proper compensation so as to attract and retain in the company the ability, resourcefulness and executive skill so vital to our continued successful operation.

EMPLOYEE RELATIONS

The company believes that the basis of any sound employee relations program is a mutual understanding of human relations. In formulating its policies, therefore, consideration is given to all conditions and activities which may contribute to the comfort and security of Borden employees.

Among the more important essentials which the company is endeavoring to provide in participation with employees are proper working conditions, equitable compensation, opportunity for advancement, safety, education and training, health and medical service, and group insurance.

The response of our personnel to these activities continues to be splendid, and their high morale has contributed greatly to the solution of many urgent problems resulting from the war.

During the year, new projects were initiated for the purpose of bringing about a complete

and up to date knowledge and understanding by all employees of the products, accomplishments and problems of the company as a whole.

Contributory Group Life Insurance is available to all employees with six months or more of service and more than 90% of all eligible employees are insured under this plan in the aggregate amount of \$43,830,409. Contributory Group Accident & Health and Accidental Death & Dismemberment Insurance is carried by 7,686 employees. During the last policy year benefits totaling \$459,001 were paid by the insurance companies underwriting these plans. Insurance against hospitalization expense is also made available in the majority of our operations for employees and the members of their immediate families.

The safety program of the company, which is carried out most effectively by local operating safety committees, continues to produce gratifying results. Despite the war conditions, the com-

bined effort of our entire personnel has again produced an accident frequency rate for the year which is lower than the general average of industry. In spite of manpower problems, pre-employment and periodic physical examinations are being continued and are directly contributing to the health and safety of all employees. In the event of injury, first aid and prompt medical services are available throughout the company's operations. The American Red Cross first aid courses have been completed by more than 6,500 Borden employees.

FINANCIAL STATEMENTS

Financial statements for the year 1943 appear on subsequent pages, together with the certificate of Haskins & Sells, Certified Public Accountants. Also, a number of interesting subjects to stockholders, employees, customers, farmers and the general public are presented in the customary informal manner.

"Here's how it happened:" Reenacting the accident for an employee safety committee which will determine responsibility. This is a standard practice in the Borden accident prevention program.



The Board of Directors, numbering 13, was reelected by the stockholders at their annual meeting last April. The members of the board have contributed much toward the solution of the complex problems of business and finance encountered by the company during the year. No director, other than those connected with the management as listed on page 2 of this report, received any compensation except the usual fees for attending meetings of the board or its committees.


HONOR ROLL

At the time this report is written 3,670 employees of your company have joined the armed services, 3,225 from the United States and 445 from Canada. Again we record our pride in them and also in those who will follow. The Borden men whose names appear on this page have been reported dead in the cause of freedom. We desire to pay them high honor and tribute.


* * *

This report is submitted by order of the Board of Directors.

THEODORE G. MONTAGUE,
President



RICHMOND NEVILLE ALLEN
KENNETH H. BARNETT
DAVID BOTELL
JOHN CACCAVALE, Jr.
PAUL THOMAS CASEY
HARRY CONLEY
JOHN ALEXANDER CORMACK
HERBERT ROY CROWE
CLIFFORD RAYMOND DECKER
RICHARD DICKERSON
WILLIAM H. DONOVAN
ALLISTER GEORGE DUMVILLE
RICHARD T. FINNEREN
PHILIP D. FREEMAN
SAMUEL ADOLPH FRISCO
GEORGE C. FURNELL
WINSTON THOMAS GANT
SAMUEL GRACE
JOHN B. GRIFFIN
LLOYD SIDNEY JOHNSON
JACK KELER
JAMES HENRY KER
ERLING B. LARSEN
PAUL MANDEVILLE
JOSEPH HENRY MAXWELL
ROBERT JOSEPH McCLINTOCK
FULTON HENRY MEYERS
WILLIAM A. MUELIER
ORVILLE RONALD MYLES
JACK PAINTER
DONALD CARL PALMER
HUMPHREY AKIN SEE
LOUIS JOHN SERVIDIO
RAYMOND CANNON SPENCER
HOWARD LEROY STERN
KENNETH STODDARD
TRACEY FLUMMER WILSON



ACCOUNTANTS' CERTIFICATE

THE BORDEN COMPANY:

We have made an examination of the consolidated balance sheet of THE BORDEN COMPANY and Domestic and Canadian subsidiary companies as of December 31, 1943, and of the related statements of consolidated net income, earned surplus, and capital surplus for the year ended that date, have reviewed the accounting procedures of the companies, and have examined their accounting records and other evidence in support of such financial statements. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all auditing procedures we considered necessary, which procedures were applied by tests to the extent we deemed appropriate in view of the systems of internal control.

During the year, upon authorization of the Board of Directors, the Company added \$5,000,000 to its Special Contingency Reserve as provision for wartime contingencies and transition to peacetime economy, by charge to income. We are not in a position to express an opinion regarding this additional provision.

In our opinion, subject to the comment in the preceding paragraph, the accompanying consolidated balance sheet and related statements of consolidated net income, earned surplus, and capital surplus, with the notes pertaining thereto, fairly present the financial condition of the companies at December 31, 1943 and the results of their operations for the year ended that date, in conformity with generally accepted accounting principles and practices applied on a basis consistent with that of the preceding year.

Haskins & Sells

New York,

February 25, 1944

THE BORDE

and Domestic and Canad

CONSOLIDATED BALANCE SHEET,

ASSETS		December 31	
		1943	1942
CURRENT ASSETS:			
Cash		\$ 26,470,542	\$ 22,763,267
Marketable Securities—At Cost (Market Value—1943, \$11,767,864; 1942, \$9,719,406)		11,499,394	9,586,708
(Including deposits with Governmental authorities under Workmen's Compensation and Milk Control Laws, etc., 1943, \$1,654,475; 1942, \$1,714,542)			
Receivables		17,199,554	16,459,548
(Including salary advances to employees—1943, \$62,213; 1942, \$63,942) less Reserves for Doubtful Accounts— 1943, \$2,345,029; 1942, \$2,265,501			
Inventories—At the Lower of Cost or Market:			
Finished Goods	Materials & Supplies		
1943—\$13,102,379	\$21,147,548	34,249,927	
1942— 13,526,362	15,320,975		28,847,337
Total Current Assets		\$ 89,419,417	\$ 77,656,860
MISCELLANEOUS ASSETS:			
Investments In, and Advances To, Foreign Affiliated Companies .		\$ 1,303,972	\$ 523,534
Mortgages		1,974,240	2,026,377
Post-war Tax Refunds (Estimated)		625,887	91,668
Other Receivables and Investments		2,389,687	2,066,452
Total		\$ 6,293,786	\$ 4,708,031
Less Reserves		1,477,730	1,542,846
Net Miscellaneous Assets		\$ 4,816,056	\$ 3,165,185
PROPERTY, PLANT AND EQUIPMENT		\$127,094,601	\$125,436,701
(Principally at cost, but in part at lower valuations established by the Company)			
Less Reserves for Depreciation		60,559,002	56,472,690
(Based upon above property valuations)			
Net Property, Plant and Equipment		\$ 66,535,599	\$ 68,964,011
PREPAID ITEMS AND DEFERRED CHARGES (Note 2)		\$ 2,165,324	\$ 1,018,063
TRADE-MARKS, PATENTS AND GOOD-WILL		\$ 1	\$ 1
TOTAL		\$162,936,397	\$150,804,120

See Page 21 for notes to financial statements.

N COMPANY
an Subsidiary Companies
DECEMBER 31, 1943 AND 1942

LIABILITIES

	December 31	
	1943	1942
CURRENT LIABILITIES:		
Accounts Payable	\$ 15,496,096	\$ 13,226,933
(Including current maturities of serial notes, \$501,000 in each year)		
Accrued Accounts:		
Taxes	2,852,096	2,200,819
(After deducting Treasury Savings Notes equal to accrued United States Income and Excess Profits Taxes— 1943, \$15,900,000; 1942, \$8,800,000)		
Other	4,578,263	3,854,329
Total Current Liabilities	\$ 22,926,455	\$ 19,282,081
NON-CURRENT LIABILITIES:		
Notes Payable—2% Serial Notes maturing \$501,000 annually until 1950; remainder in 1951	\$ 10,497,000	\$ 10,998,000
Other	140,506	378,014
Total Non-Current Liabilities	\$ 10,637,506	\$ 11,376,014
RESERVES:		
Contingency Reserve	\$ 2,545,185	\$ 2,545,185
Special Contingency Reserve (Note 4)	8,760,000	4,000,000
For Replacement of Depleted Normal Inventories	2,984,866	2,039,075
For Purchase of Employees' Deferred Retirement Annuities— based on service prior to July 1, 1939	761,357	802,029
Insurance Reserves	6,576,481	6,051,020
Other Operating Reserves	3,074,167	1,855,331
Total Reserves	\$ 24,702,056	\$ 17,292,640
CAPITAL STOCK—THE BORDEN COMPANY:		
Common \$15.00 Par—Authorized 8,000,000 shares; Issued 4,417,958 shares		
Treasury Stock Outstanding		
1943— 92,958 shares 4,325,000 shares	\$ 64,875,000	
1942— 41,254 " 4,376,704 "		\$ 65,650,560
SURPLUS:		
Capital Surplus	\$ 13,373,669	\$ 13,665,246
Earned Surplus	26,421,711	23,537,579
Total Surplus	\$ 39,795,380	\$ 37,202,825
TOTAL	<u>\$162,936,397</u>	<u>\$150,804,120</u>

THE BORDE

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STATEMENT OF CONSOLIDATED NET INCOME

For the Years Ended December 31, 1943 and 1942

	Year Ended December 31	
	1943	1942
NET SALES	\$371,866,527	\$325,350,306
OTHER INCOME:		
Interest, Dividends and Royalties	562,754	506,933
Rentals, less Expenses of Properties Rented or Unessential to Operations	163,805	203,638
Other	440,537	249,225
TOTAL	\$373,033,623	\$326,310,102
LESS:		
Cost of Goods Sold	\$317,006,322	\$278,631,359
Selling, General and Administrative Expenses and Other Charges	23,745,101	25,343,331
Interest Expense	258,612	271,882
Provision for Wartime Contingencies and Transition to Peacetime Economy	5,000,000	2,500,000
Provision for Deferred Repairs and Maintenance	900,000	900,000
Provision to Reserve for Miscellaneous Assets		500,000
Provision for Federal and Other Taxes on Income (less post-war credits)	16,717,883	9,783,876
TOTAL	\$363,627,918	\$317,930,448
NET INCOME FOR THE YEAR	\$ 9,405,705	\$ 8,379,654
Net Income per Share of Stock Outstanding at End of Year	\$2.17	\$1.91

Provision for depreciation charged to operations was \$6,442,955 for 1943 and \$6,483,314 for 1942.

STATEMENT OF CONSOLIDATED EARNED SURPLUS

For the Years Ended December 31, 1943 and 1942

	Year Ended December 31	
	1943	1942
BALANCE AT BEGINNING OF YEAR	\$ 23,537,579	\$ 21,292,134
NET INCOME FOR THE YEAR	9,405,705	8,379,654
TOTAL	\$ 32,943,284	\$ 29,671,788
DEDUCT—Dividends Paid during the Year	6,521,573	6,134,209
(\$1.50 per share in 1943 and \$1.40 per share in 1942)		
BALANCE AT END OF YEAR	\$ 26,421,711	\$ 23,537,579

See Page 21 for notes to financial statements.

STATEMENT OF CONSOLIDATED CAPITAL SURPLUS
For the Years Ended December 31, 1943 and 1942

	Year Ended December 31	
	<u>1943</u>	<u>1942</u>
BALANCE AT BEGINNING OF YEAR	\$ 13,665,246	\$ 13,563,371
Proceeds from disposal of unessential properties previously written off against Capital Surplus, and fair operating values ascribed to other such properties adapted to some operating use	396,894	338,818
TOTAL	\$ 14,062,140	\$ 13,902,189
DEDUCT—Write-off of Good-Will purchased during the year	688,471	236,943
BALANCE AT END OF YEAR	<u>\$ 13,373,669</u>	<u>\$ 13,665,246</u>

NOTES TO FINANCIAL STATEMENTS

(1) The Consolidated Balance Sheet does not contain any salvage values which ultimately may be realized from properties, now owned and not essential to operations, which heretofore have been written off.

(2) Prepaid Items and Deferred Charges at December 31, 1943 includes \$1,032,729 representing the excess of cost over par value of stock acquired and held in the treasury for subsequent corporate use.

(3) Net current assets of Canadian subsidiaries have been converted at the official exchange rate and are included in the Consolidated Balance Sheet at their U. S. dollar equivalent of \$5,795,172 at December 31, 1943 and \$4,753,408 at December 31, 1942. Other assets of such subsidiaries aggregating \$5,344,028 at December 31, 1943 and \$5,361,969 at December 31, 1942, are included at parity of exchange. Net income of Canadian subsidiaries has been converted at the official exchange rate and is included in the Statement of Consolidated Net Income at its U. S. dollar equivalent.

(4) In 1943 the Special Contingency Reserve was charged with \$240,000 (representing a reduction of \$400,000 in the contract price of sales in the year 1942 which were subject to the provisions of the War Profits Control Act less United States Income Tax of \$160,000 applicable thereto). The effect of possible renegotiation of contract prices of similar sales in 1943 is not presently determinable, but ample provision therefor is considered to be included in existing reserves.

(5) In recent years the last-in, first-out method has been employed in costing out inventories of certain products in order to reflect current cost of production in cost of goods sold. In 1942, as an extension of this method, a reserve of \$2,039,075 was provided so that the quantities by which normal inventories of these products had been depleted, when restored through subsequent production, may be carried at the previously established last-in, first-out valuation. In 1943 a further provision of \$945,791 was added to this reserve.

(6) The Statement of Consolidated Net Income does not include the Company's share (approximately \$260,000 for 1943 and \$65,000 for 1942) in the net income of unconsolidated foreign affiliated companies, from which companies no dividends were received during these years.

THE BORDEN ECONOMIC MAP



The Wheel of Industry

Somewhere in Georgia, a housewife goes shopping for a can of milk. A dairy farmer's herd, in the Osage River valley of Missouri, is producing more milk than can be used locally. Just across the state line, a Kansan is looking for a job. And, out in California, a teacher is planning an investment of his savings.

All of these people want something, but can't satisfy their needs fully in their own communities. Their wants, although different, are interdependent: if the teacher invests in an income-producing plant in Kansas, he provides work for the job-seeker in processing the excess milk from the Missouri farm and shipping it to the Georgia housewife—and all four are satisfied.

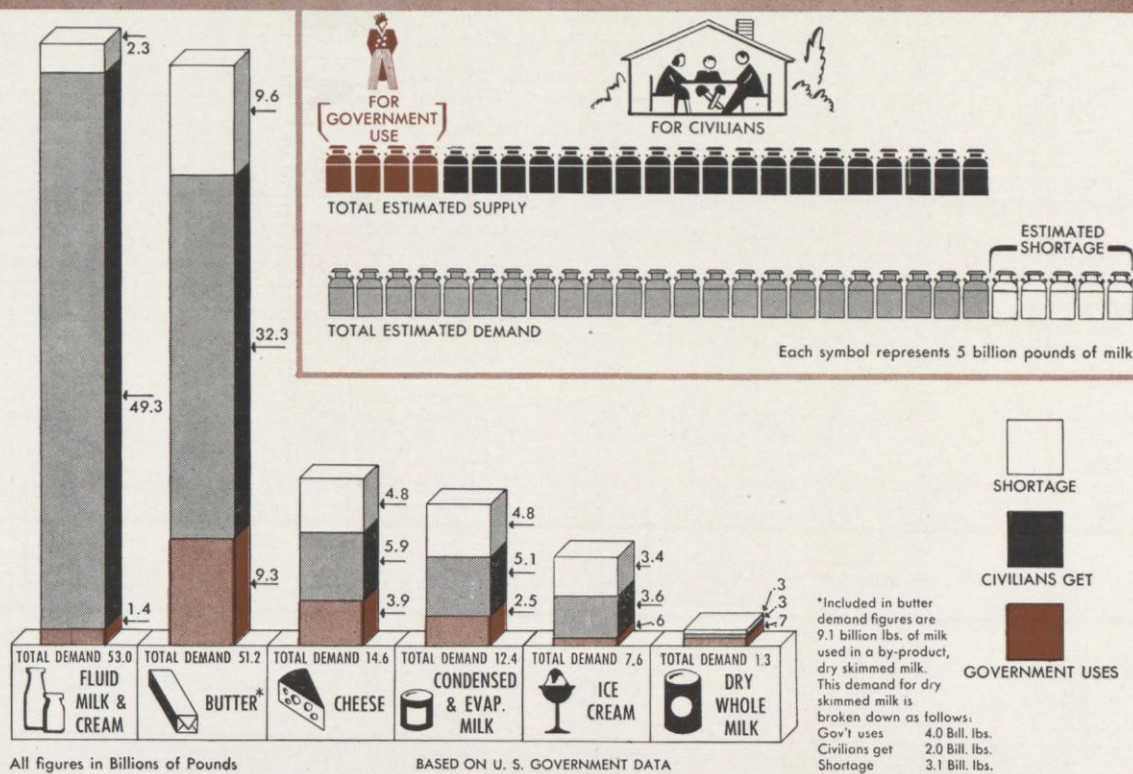
A few hundred years ago, people supplied their needs in their own small, isolated towns. Wants were much simpler, and the satisfaction of them most inadequate. If there was no cow near town, the housewife got no milk. The farmer, lacking a market, produced just enough for his family and the folks next door. The

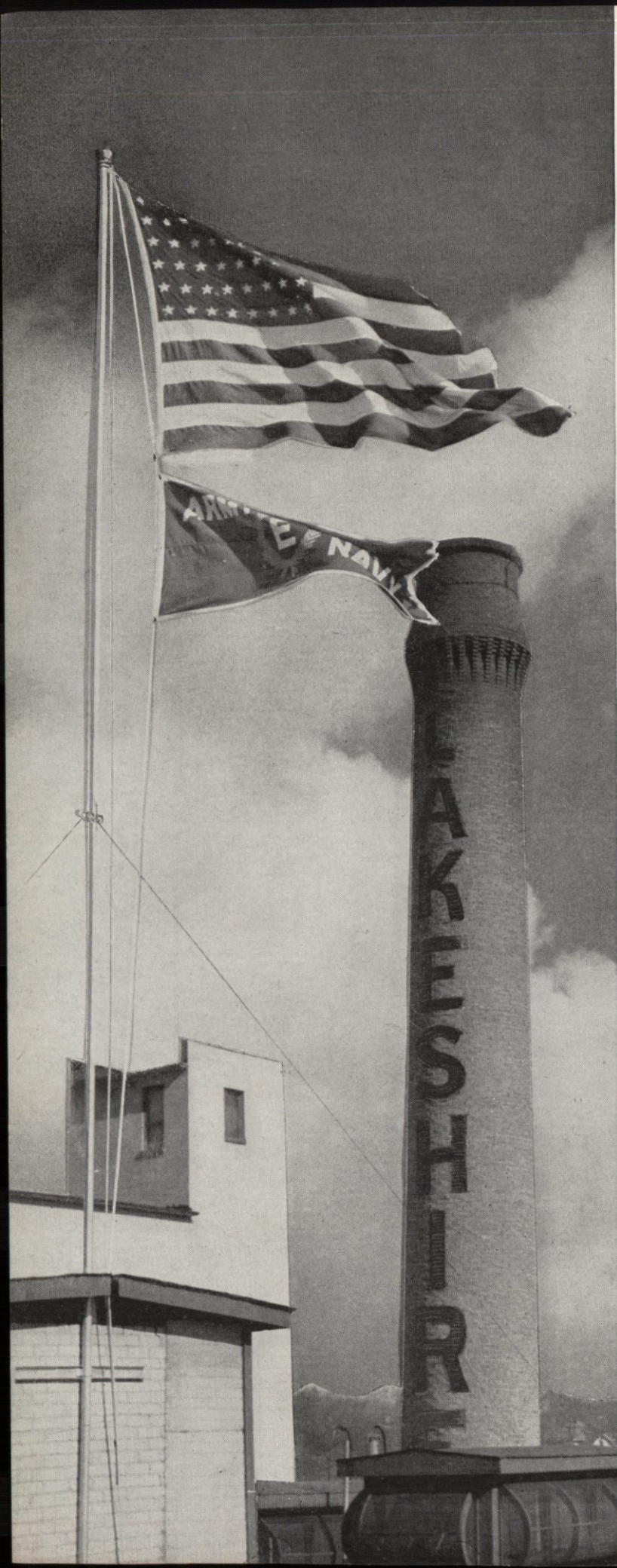
worker earned a mere subsistence, and savings were hidden under the floor.

Today, the needs of all groups are brought together, with each group receiving satisfaction while satisfying the other three. None can be served without cooperation from the others. All are spokes in the wheel of our modern economy, and the hub, holding them together and turning the wheel, is modern industry, exemplified in this case by our company. Bringing together these groups, each with different economic wants, the company's function is to provide goods for consumers, markets for farmers, jobs for employees, and income for stockholders.

The turning of this economic wheel is, of course, a very complicated business. Although the company handles but a small percentage of the total U. S. milk supply, the magnitude of its task is suggested by the chart below. How widely the proceeds of its operations are distributed is indicated by the map on the opposite page.

THE U. S. MILK PICTURE—SUPPLY AND DEMAND, 1943





BORDEN'S WAR

The headlines of the war have been captured by the feats of planes, and tanks, and ships, and of the men who man them. This is as it should be. Comparatively little has been told of the services of supply and their role in keeping the materials of war moving to the fighting forces. Yet, they also serve.

A similar situation exists in industry, where the manufacturers of machines and weapons of war have fired the public imagination, and less attention has been centered on the suppliers of undramatic, but equally vital, materials. The Borden Company is one of these suppliers, and, although much remains to be known about its war work, the company also serves.

There are some Borden products which are directly associated with fighting equipment. There are glues which are used wherever the lightness and strength of plywood, or the sturdiness of laminated timbers are needed. Plywood is used in the construction of transport gliders, P-T boats, landing barges and life boats, and in other types of military equipment. Laminated timbers are replacing steel girders on many construction projects. A related product, the company's synthetic resin binder for foundry work, is valuable in casting magnesium and aluminum alloy parts for war planes.

Then there is milk sugar, which has some interesting war uses. It is a component in smoke screens and airplane flares. It is a binder for morphine and other medicines. It is used in the preparation of penicillin, the new life-saving drug being manufactured for army and navy hospitals.

In addition to these, the company's regular line of foods is meeting wartime demands, and Borden products are making new friends on distant battle fronts. The army K-ration, for example, contains Borden's dried lemon juice and swiss and cheddar cheese, and millions of pounds of cheese in other forms have been shipped from our Lakeshire-Marty Division for general military uses and lend-lease.

ASSIGNMENTS

Klim, the company's powdered milk, has won favor in the South Pacific because it withstands high temperatures, and it is a welcome solution of the milk supply problem at remote posts of the Royal Canadian Air Force. Praise for Klim comes also from prisoners of war, who receive it in their Red Cross parcels.

A rush order for Borden's mince meat — a million pounds of it — topped off the army's last Christmas dinner in the traditional manner.

Condensed milk is supplied to the U. S. Government, and sizable quantities of it, dispatched under lend-lease, have been safely convoyed to Russian civilians and fighters.

Ice cream, ashore and afloat, is viewed as a valuable contribution to morale. No other food is missed as much by men in the front lines. Recently a rear admiral telegraphed the company, reporting that Borden's dehydrated ice cream mix had helped to build both the strength and morale of patients aboard a hospital ship. "It did duty both as a food and a medicine," said the message. "To these wounded men it most nearly represented home and civilization."

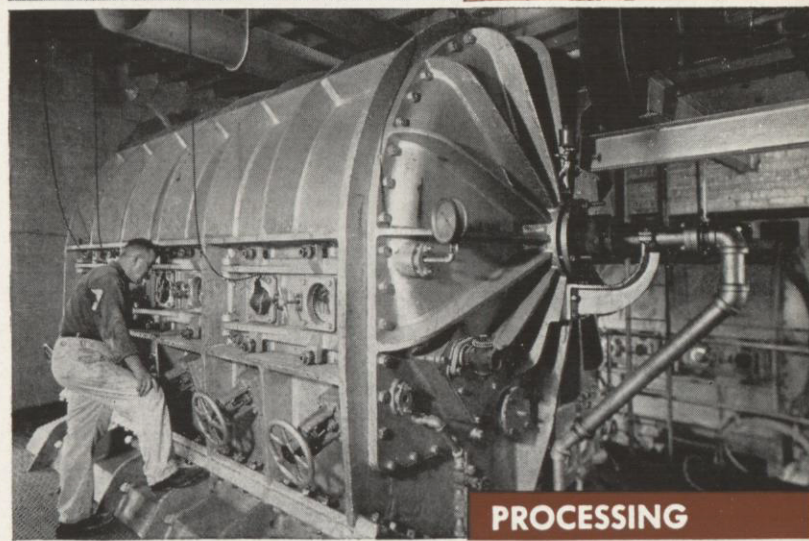
Army camps and Navy shore installations require large quantities of fluid milk, which the company has provided in many districts.

For the most part, the company's war assignments are not much different from its regular peacetime business. However, supplying the government has required some plant conversion and curtailment of civilian markets. In some cases, filling these requirements has called for unusual effort by employees, and has inconvenienced regular customers. Both of these groups have been most understanding and cooperative.

No Borden product will win the war, or even secure a single battle. But they are all important in the over-all plan for victory, and, as such, a source of pride to the company.



PRODUCTION



PROCESSING



DISTRIBUTION



USE FOR VICTORY

How We Stood on December 31, 1943

The Balance Sheet at the end of the year is a statement which shows what is Owned and what is Owed, — the difference representing Net Worth. This statement is shown below in a descriptive manner. The values have been divided by the average number of employees (26,820) to show the investment per employee.

WE OWNED (*Assets*)

		INVESTMENT PER EMPLOYEE
CASH—In banks and on hand available to pay for milk and other products, payroll, supplies, freight and other services. The funds on hand are only sufficient for about one month's average operation	\$ 26,470,542	\$ 987
MARKETABLE SECURITIES—Chiefly United States and Canadian Government bonds, some of which are on deposit with various governmental authorities to guarantee compliance with their milk control laws, workmen's compensation acts, etc.....	11,499,394	428
RECEIVABLES—Money to be received by us from customers and others. This represents about 17 days' sales, most of which was collected in January	17,199,554	641
INVENTORIES—Stocks of finished goods, goods in process, raw materials and supplies in plants and warehouses	34,249,927	1,277
MISCELLANEOUS ASSETS—Consisting principally of investments in, and advances to, foreign affiliated companies, mortgages received from sales of properties, and loans to farmers to purchase cattle	4,816,056	180
PROPERTY, PLANT AND EQUIPMENT—Plants in which our employees work; also machinery, processing and delivery equipment, fixtures, etc., used in our operations; after deducting the allowance for accumulated wear and tear to date (which is the depreciation reserve)	66,535,599	2,481
PREPAID ITEMS AND DEFERRED CHARGES—Prepaid taxes, rents, insurance, etc., and the excess of cost over par value of stock acquired and held in the treasury for subsequent corporate use	2,165,324	81
TRADE-MARKS, PATENTS AND GOOD-WILL—For which the Company expended millions in advertising and research. For conservative purposes this is carried at a nominal amount	1	
TOTAL OF WHAT WE OWNED (<i>Assets</i>)	\$162,936,397	\$6,075

WE OWED (*Liabilities*)

CURRENT LIABILITIES—Including bills for milk, materials, supplies and services purchased, principally in December, but not due for payment until January. This also includes provision for commissions and payrolls for the last part of the month and items on which bills have not been rendered, such as taxes exclusive of U. S. Income Taxes which have been provided for by our holdings of Treasury Savings Notes, and other miscellaneous expenses, as well as maturities of serial notes due in 1944 in the amount of \$501,000	\$ 22,926,455
NON-CURRENT LIABILITIES—Represents liabilities not payable within the next twelve months. Notes payable after 1944 in the amount of \$10,497,000 is the principal item herein	10,637,506
TOTAL OF WHAT WE OWED (<i>Liabilities</i>)	\$ 33,563,961

NET WORTH (*Stockholders' Funds and Reserves*)

Represented by:

RESERVES—For contingencies that may arise and for other operating purposes	\$ 24,702,056
CAPITAL STOCK AND SURPLUS—Being the stockholders' investment in the company and that part of past earnings retained in the business to strengthen the Company's financial condition	104,670,380
TOTAL NET WORTH (<i>Stockholders' Funds and Reserves</i>)....	<u>\$129,372,436</u>

The Results of 1943 Operations

The Statement of Net Income, sometimes referred to as the Profit and Loss Statement, shows the results for the full year's operations. In the following tabulation this is shown in relation to each dollar of sales and covers all products and all markets.

RECEIPTS:

		CENTS PER DOLLAR OF SALES
SALES—Amount charged our customers for products sold	\$371,866,527	100. ¢
OTHER INCOME—Including rentals, royalties and interest and after deducting interest expense	908,484	
TOTAL.....	\$372,775,011	

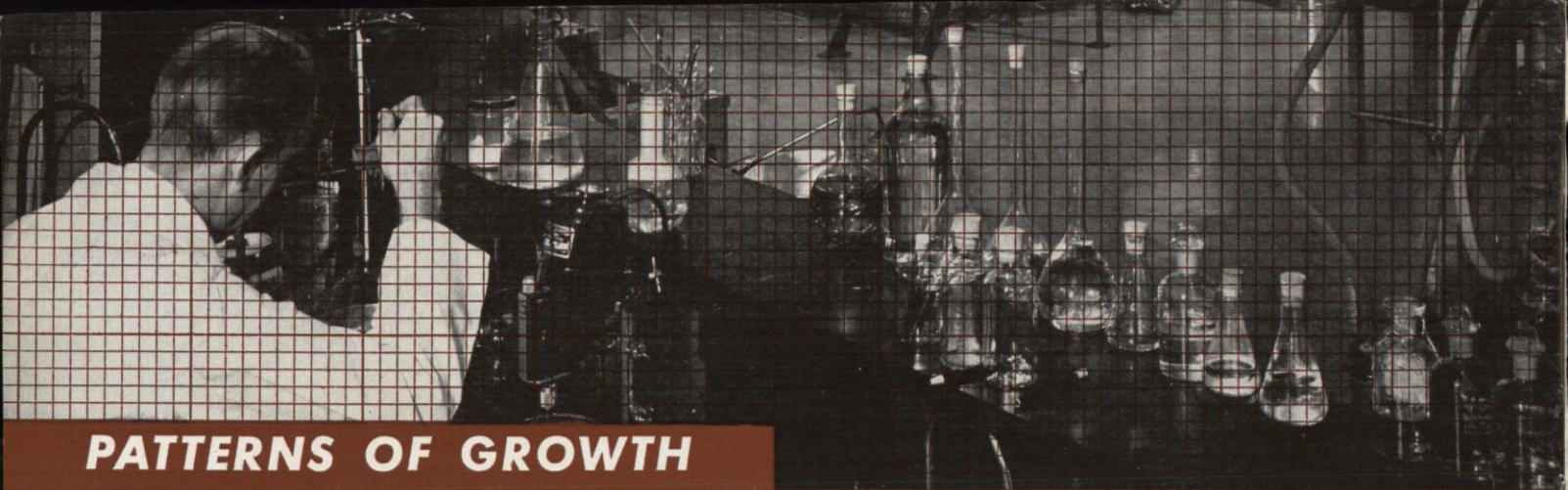
DISPOSITION:

TO FARMERS—Paid for milk, cream, butter, cheese, and other products....	\$183,775,086	49.4¢
PAYROLL—Wages and salaries paid to employees	62,364,299	16.7¢
TAXES—To Federal, State, local and Canadian governments	21,954,543	5.8¢
<i>(This amount for taxes is more than twice as much as the remaining Net Income for the year)</i>		
TOTAL TO FARMERS AND FOR PAYROLL AND TAXES.....	\$268,093,928	* 71.9¢

*This 71.9¢ is the average for all operations including evaporated milk, dry milk, ice cream, and many other products as well as fluid milk. In divisions conducting a fluid milk business only, the ratio of these costs to the sales dollar is higher, being about 83.9¢.

COSTS AND EXPENSES OF OPERATIONS—Paid suppliers for bottles, containers, packing materials, coal, oil, gasoline, feed, sugar, tin plate, and other materials; and others for services such as freight, rent, light, power, telephone, telegraph, advertising, repairs, and other items, and including special provisions of \$5,900,000 made because of consequences and contingencies of wartime conditions and transition to a peacetime economy and after absorbing cost factors of inventory fluctuations.....	88,832,423	23.9¢
DEPRECIATION—This year's proportion of the amount necessary to provide for the eventual replacement of buildings, machinery, vehicles and equipment, due to wear and tear in the Company's operations.....	6,442,955	1.7¢
TOTAL.....	363,369,306	97.5¢
NET INCOME—(Net earnings before dividends)	\$ 9,405,705	2.5¢

This represents a return on sales of 2.5%. After payment of dividends of \$6,521,573 to 49,141 Stockholders, the balance of Net Income was left in the business to strengthen the Company's financial condition.



PATTERNS OF GROWTH

A business is a living thing. To thrive, it must enjoy a healthy rate of growth and adapt itself to changing conditions. The Borden Company was originally a manufacturer of condensed milk. Today, as a result of carefully planned development, the items on its product list run well over a hundred.

The patterns which have shaped the company's activities are varied. In the beginning, growth followed obvious lines into the fields of related dairy products. Then, during the late 'twenties, when all American business was expanding, there was a geographical widening of operations.

While these earlier forms have not been abandoned, an unfolding pattern, calling for the development of new products, has been emphasized in recent years. This growth is from within the company; established divisions meet the challenge of new needs and explore new marketing possibilities.

The Special Products Division offers an interesting example of planned growth. Several years ago, this division developed an outlet for some of the by-products of the company's milk manufacturing operations by marketing a poultry feed supplement—the company's first venture in this business. The success of the first product was followed by other feed supplements for livestock—hogs and calves—and for dogs.

When research indicated that an improvement in these supplements might be made by fortifying them with additional vitamins, the company acquired a leading manufacturer of vitamins and subsequently refined many of his processes. Then, to secure the raw materials from which vitamins are extracted, it entered the fishing business and now operates its own fleet and extraction plant.

In acquiring the Soy Bean Processing Company last year, the company obtained a source of the protein which is used as a base, or "carrier", in its feed supplements. And, as a further logical development of the pattern, it brought out D-Q, a new vitamin product for human use, to utilize its vitamin manufacturing department at its maximum efficiency.

Another example of planned growth may be found in the Casein Company of America Division, whose development has been stimulated by new industrial needs for adhesives. This division's first product was a glue which was made of casein, a component of milk. When casein glue failed to answer all needs, the division became the first American manufacturer to produce a synthetic urea resin glue. Later, it added phenol resin glue, and today the regular Casco list includes 20 types of adhesives.

Similar adaptable patterns can be traced in many of the company's undertakings: Hemo, fortified with vitamins and minerals, was developed to answer modern demands for fortified foods; Pyco, both to overcome wartime shortages of mince meat ingredients and provide a novel cooky—and pie-filler; Mull-Soy, an emulsified soy bean food, to serve infants allergic to cow's milk; and Wej-Cuts, to broaden the use of cream cheese by improving its keeping qualities through modern processing and packaging.

These now familiar avenues are being further explored by the company's research men. Their endeavors are keyed to the development of products whose acceptance will be expedited by the prestige of the Borden name, and which lend themselves to distribution through the company's established marketing channels. The program is a guarantee of future growth, and of the company's ability to meet changing conditions.

Elsie's Page



Elsie, conscious of her obligation as a patriotic citizen not to burden transportation facilities, traveled very little in 1943. She made a few short journeys to nearby points from her home at Borden's Walker-Gordon Farm, but all of these were in the interest of selling War Bonds or to meet some of her more important customers.



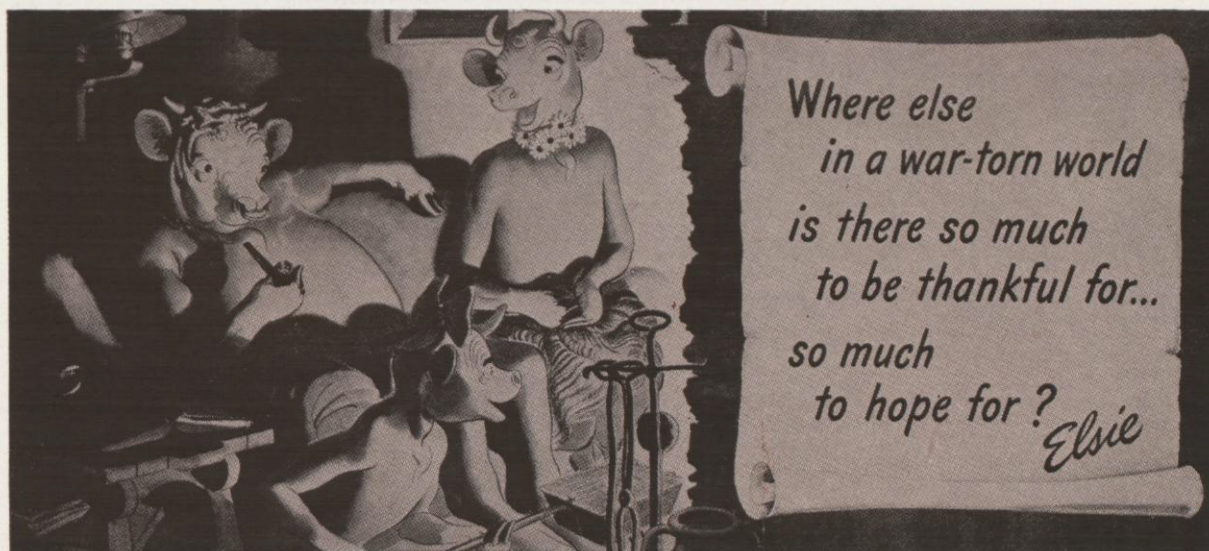
In print, she continued to keep Borden products and services fresh in the minds of her public (even though most of them were difficult to get), against the time when supplies will be plentiful and competition keen. At the same time, she used her per-

suasive talents to further many war projects of the United States and Canadian Governments, among them the Food Fights for Freedom Campaign, War and Victory Bonds, the Crop Corps, Woman Power, Rationing, Victory Gardens and WAVE Recruitment.



Perhaps her most notable contribution to public morale was the 24 sheet poster, illustrated below, which was displayed in December in the more important cities of the United States and Canada.

So great is the interest in Elsie as a public character that 14 manufacturers have been licensed by Elsie Enterprises (a department of the company) to produce various objects in the image of Elsie, paying royalties for the privilege. Among the articles now in production on sale at retail stores are cream pitchers, children's cereal sets, games, bibs, soup figurines, cookie jars and a book, published by Dodd, Mead & Co., titled "Elsie the Cow."



Principal Borden Products . .

UNITED STATES

MANUFACTURED PRODUCTS

Except where otherwise indicated, products listed are sold generally throughout the country.

CONDENSED MILK

Eagle Brand.
Sold sectionally in various parts of the country: Challenge, Darling,
Dime, Leader, Magnolia, Rose, Standard and Star Brands.

EVAPORATED MILK

Borden's Silver Cow.
Sold in the Eastern, Central and Southern States.
Borden's, Maricopa, St. Charles and Oregon Brands.
Sold in the Western States.

MALTED MILK

Borden's (Plain and Chocolate Flavored).
Thompson's (Plain and Chocolate Flavored).

VITAMIN FORTIFIED FOOD DRINKS

Hemo.
D-Q—Vitamin Fortified Fluid Milk—limited distribution.
Instant Mix—for making Hot Chocolate. Except in 11 Western States.

CHEESE

Liederkrantz Cheese; Military Brand Camembert.
Bulk Natural Cheese (all varieties); Marty and Victory Brands Swiss;
Dutch Maid, Castle and Eagle Brands Limburger.
Package Cheese: Chateau; Borden's Process Cheese; Borden's Eagle and
Baumert Brands Cream Cheese; Borden's Wej-Cut Cream Cheese;
Borden's Cocktail Cheese Spreads; Borden's Grated Cheese (American
and Italian Styles).

CONFECTIONERY

Borden's Tip Top and Royal Crest Caramels.
Borden's Crisps.

MINCE MEAT AND PIE FILLER

None Such, Old Time, 1776, Colonial and Yo Ho.
Pyco.

MILK SUGAR

Bulk Milk Sugar and Beta Lactose.

PRESCRIPTION PRODUCTS

Biolac, Dryco, Mull-Soy, Beta Lactose, Klim, Powdered Whole Lactic
Acid Milk, Powdered Protein Milk, Powdered Skimmed Lactic Acid
Milk and Powdered Skimmed Milk.

POWDERED MILK

Klim.
In bulk only: Breadlac, Starlac and Certora Brands Skimmed Milk, and
Parlac Brand Whole Milk.

OTHER DEHYDRATED PRODUCTS

In bulk only: Powdered Orange and Lemon Juices; Dry Whole Egg.
To Armed Forces only: Coffee Extract, Powdered Soups.

POULTRY AND ANIMAL FEED SUPPLEMENTS

Flaydry, Flaydry "D", Ladpro, Ration-ayd, Hopro, Cavpro, Bospro,
Dog Food Supplement, Furpro and Fish Meal, as well as Vitamin Oils
for Poultry and Livestock.

ICE CREAM, DAIRY AND BAKERY PRODUCTS

Chocolate Syrups, Flavoring Extracts.
Dry Ice Cream Mix, Golden Whip, Egg Powders, Chocolate Flavored
Powder for Dairy Drinks, Baiz.
Cheese Flavoring Powder, Cheese Coating for Popcorn.

SOY PRODUCTS

Soy Bean Oil, Soy Bean Oil Meal, Soy Bean Flour.

VITAMIN PRODUCTS

Vitamin Oils in bulk, Synthetic Vitamins, B Complex Syrups.
Natural A and D Concentrates, Rice Polish Concentrates.
Vitamin Fortification for Fluid Milk, Vitamin Specialties for Food
Fortification.

FISH

Farallone Fisheries, fresh market fish.

CASEIN AND ADHESIVES

Casco Powdered Casein Glue, Casco Flexible Cement, Casco Wall Size,
Cascamite Resin Glue and Bulk Casein.

FLUID MILK

Cities where principal Fluid Milk Plants are located and Brands under which the milk is sold.

ARIZONA		LOUISIANA		OHIO—(Con't.)	
Phoenix	Borden's Maricopa	Lake Charles	Borden's	Marion	Borden's
CALIFORNIA		MICHIGAN		Middletown	Borden's
Burlingame	Borden's	Detroit Metropolitan District	Borden's	Newark	Borden's
Fresno	Borden's	Grand Rapids	Borden's	Portsmouth	Borden's
Modesto	Borden's	Owosso	Borden's	Springfield	Borden's
Oakland	Borden's	Pontiac	Borden's	Xenia	Borden's
Sacramento	Borden's	MISSOURI		Zanesville	Borden's
San Rafael	Borden's	Kansas City	Borden's	OKLAHOMA	
San Francisco Metropolitan District	Borden's	NEW JERSEY		Oklahoma City	Borden's
CONNECTICUT		Newark and Northern New Jersey—		TEXAS	
Bridgeport	Mitchell	Borden's and Walker-Gordon		Amarillo	Borden's
Danbury	Mitchell	Trenton	Castanea and Walker-Gordon	Corpus Christi	Borden's
Meriden	Mitchell	NEW YORK		Dallas	Borden's
Middletown	Mitchell	Albany	Borden's	Denton	Borden's
New Haven	Mitchell	Glens Falls	Borden's Adirondack	El Paso	Borden's
Norwalk	Borden's and Mitchell	New York Metropolitan District including		Houston	Borden's
Stamford	Borden's	Westchester County and Long Island—		Lubbock	Borden's
FLORIDA		Borden's, Walker-Gordon		San Antonio	Borden's
Clearwater	Borden's-Poinsettia	and Borden's-Willow-Brook		Marshall	Borden's Babblin' Brook
Daytona Beach	Borden's-Poinsettia	Troy	Borden's Collar City	Longview	Borden's Babblin' Brook
St. Petersburg	Borden's-Poinsettia	Utica	Borden's	Tyler	Borden's Babblin' Brook
Tampa	Borden's-Poinsettia	OHIO		Texarkana	Borden's Babblin' Brook
ILLINOIS		Akron	Borden's-Averill and Borden's-Peoples	WEST VIRGINIA	
Chicago Metropolitan District	Borden's	Columbus	Borden's-Hamilton and	Huntington	Borden's and Kennedy's
INDIANA			Borden's-Moores & Ross	WISCONSIN	
Hammond—Gary District	Borden's	Dayton	Borden's Finch Farms	Madison	Kennedy-Mansfield
Lafayette	Furnas	Mansfield	Borden's Levering's	Milwaukee	Borden's Gridley
Terre Haute	Borden's			Racine	Borden's
Indianapolis	Borden's Capitol Dairies				

.. And Where They Are Sold

ICE CREAM

Cities where principal Borden Ice Cream Branches are located and Brands under which the ice cream is sold.

ARKANSAS		LOUISIANA		OHIO	
Texarkana	Borden's	Baton Rouge	Borden's	Akron	Borden's
CALIFORNIA		Lake Charles	Borden's	Canton	Borden's
Fresno	Borden's	MARYLAND		Chillicothe	Borden's
Modesto	Borden's	Baltimore	Borden's and Hendler	Columbus	Furnas and Moores & Ross
Oakland	Borden's	MASSACHUSETTS		Dayton	Borden's and Red Wing
Sacramento	Borden's	Boston Met. District	Borden's and White House	Marion	Borden's
San Francisco Metropolitan District	Borden's	North Adams	Borden's	Mansfield	Borden's
CONNECTICUT		MICHIGAN		Newark	Borden's
Bridgeport	Huber's, Mitchell's and MelOrol	Detroit Metropolitan District	Borden's	Portsmouth	Borden's
Hartford	Borden's	Grand Rapids	Borden's	Springfield	Borden's
Stamford	Borden's and Huber's	Jackson	Borden's	Youngstown	Borden's
DELAWARE		Kalamazoo	Borden's	Zanesville	Borden's
Wilmington	Sharpless	Lansing	Borden's	OKLAHOMA	
FLORIDA		Saginaw	Borden's	Oklahoma City	Borden's
Daytona Beach	Borden's-Poinsettia	MISSOURI		PENNSYLVANIA	
St. Petersburg	Borden's-Poinsettia	Kansas City	Borden's	Allentown	Sharpless
Tampa	Borden's-Poinsettia	St. Louis	Borden's	Harrisburg	Borden's
ILLINOIS		NEW JERSEY		Philadelphia	Sharpless
Aurora	Borden's	Asbury Park	Borden's, Reid's and Horton's	York	Borden's
Chicago	Borden's and MelOrol	Atlantic City	Sharpless	TEXAS	
Elgin	D. & W.	Paterson (Northern New Jersey)	Borden's, Reid's, Horton's and MelOrol	Amarillo	Borden's
Joliet	Borden's	Trenton	Sharpless	Beaumont	Rettig's
Rockford	D. & W.	NEW MEXICO		Corpus Christi	Borden's
INDIANA		Clovis	Borden's	Dallas	Borden's
Fort Wayne	Borden's and Furnas	Las Cruces	Borden's	El Paso	Borden's
Indianapolis	Furnas and Velvet	NEW YORK		Houston	Rettig's
Kokomo	Furnas	Albany	Hosler and Helderberg	Lubbock	Borden's
Richmond	Borden's and Red Wing	Glens Falls	Borden's and Hall's	San Antonio	Borden's
Shelbyville	Furnas and Velvet	Kingston	Borden's, Horton's and Hosler	VERMONT	
South Bend	Borden's and Furnas	Middletown	Borden's, Reid's and Horton's	Burlington	Borden's
Terre Haute	Borden's	New York Metropolitan District including Westchester County and Long Island	Borden's, Reid's, Horton's, Ricciardi, Carpenter, LaRue and MelOrol	Woodstock	Borden's
IOWA		Ogdenburg	Borden's	WEST VIRGINIA	
Cedar Rapids	Borden's	Poughkeepsie	Schrauth's	Charleston	Borden's
Davenport	Borden's	Rochester	Borden's	Huntington	Borden's
Fort Dodge	Borden's	Troy	Borden's and Hosler	Kenova	Borden's
Mason City	Borden's	Utica	Borden's and Rob Roy	Wheeling	Borden's
Waterloo	Borden's	CANADA		WISCONSIN	
KANSAS		MANUFACTURED PRODUCTS		Fond du Lac	Sessions
Leavenworth	Borden's	PRESCRIPTION PRODUCTS		Madison	Kennedy
Topeka	Borden's	MALTED MILK		Milwaukee	Borden's
KENTUCKY		CARAMELS		Racine	Borden's
Pikeville	Borden's	CONDENSED MILK		POWDERED FRUIT JUICE	

CANADA MANUFACTURED PRODUCTS

CONDENSED MILK
Eagle Brand, Reindeer Brand and Purity Brand.

EVAPORATED MILK
Borden's St. Charles and Borden's Silver Cow.

POWDERED MILK AND CREAM
Klim, Trucream, Trumilk, Drimilk, Milkstock, Breadlac and Starlac.

PRESCRIPTION PRODUCTS
Dryco, Klim, C.M.P. Powdered Lactic Acid Milk and C.M.P. Powdered Protein Milk.

MALTED MILK
Borden's Malted Milk (Plain and Chocolate Flavored).

CARAMELS
Borden's.

POWDERED FRUIT JUICE
Borden's C.M.P. Brand.

CHEESE
Processed Loaf and Package Cheese, Chateau, Baumert Cream Cheese, Canabec Cream Cheese, Blue Cheese.

EGGS
Powdered and Frozen.

FLUID MILK

Cities in which Borden Branches are located and Brands under which the products are sold.

ONTARIO		QUEBEC	
Hamilton	Borden's	Montreal	Joubert, Borden's MelOrol
Niagara Falls	Borden's	Quebec	Borden's and Brookside
Ottawa	Borden's	ICE CREAM	
Toronto	Borden's	ONTARIO	
Windsor	Borden's	Belleville	Borden's and MelOrol
QUEBEC		Chatham	Borden's and MelOrol
Montreal	Borden's and Joubert	Cornwall	Borden's and MelOrol
Quebec	Borden's and Brookside	Hamilton	Borden's and MelOrol
		Kingston	Borden's and MelOrol
		Kitchener	Borden's and MelOrol
		London	Borden's and MelOrol
		QUEBEC	
		Three Rivers	Joubert, Borden's MelOrol

